



TheECONOMY

Pulling In Both Directions

The Federal Reserve's dual mandate of full employment and stable prices is pulling the institution in both directions, with each path presenting its own risk. In a widely anticipated move, Fed officials decided to cut the Federal Funds target rate by 25 basis points at the September FOMC meeting. In the accompanying press conference, Chair Jerome Powell pointed to growing weakness in the labor markets driving the Fed's decision to cut rates, despite having held rates steady since December due to lingering concerns regarding tariff-driven inflation.

The readings on the labor market have weakened significantly since July, with job growth stalling and the unemployment rate rising. In addition to a precipitous slowdown in hiring, the Bureau of Labor Statistics revised job growth lower by a record 911,000 in the year through March 2025. This dramatically overstated the perceived health of the labor market over that past year while simultaneously providing the Fed with one more reason to cut rates.

However, it is an inconvenient truth that inflation is still running well above the Fed's two percent target. Powell acknowledged as much by stating, "in the near term, the risks to inflation are tilted to the upside and risk to employment to the downside." While the most recent CPI report emphasized that inflation is still above the Fed's comfort level, it was evident that tariffs have yet to cause a widespread increase in prices.

So why would the Fed elect to cut rates if inflation is still problematic? One plausible explanation is that the persistence of inflation can be chalked up to tariffs, and the Fed's best guess is that this will be a temporary factor. The market expects another 25 to 50 basis points of rate cuts before the end of the year and this will clearly be an uncomfortable decision for the Fed if inflation remains elevated.

One of the most encouraging aspects of September's Federal Reserve interest rate decision was the surprising unity among the committee, with only one dissenting vote, as Chair Powell successfully brought together differing views despite substantial political pressure. Newly appointed Fed Governor Stephen Miran was the only one to vote against the quarter-percentage-point interest-rate cut, favoring a 50-basis point cut. Fed Governors Christopher Waller and Michelle Bowman, both of whom lodged dovish dissents in July, refrained from doing so this time around.

Treasury Yields

Maturity	9/18/25	8/18/25	CHANGE
3 Month	3.972%	4.221%	-0.249%
6 Month	3.828%	4.074%	-0.246%
1-Year	3.599%	3.923%	-0.325%
2-Year	3.564%	3.763%	-0.199%
3-Year	3.547%	3.722%	-0.175%
5-Year	3.663%	3.847%	-0.184%
10-Year	4.104%	4.334%	-0.229%
30-Year	4.724%	4.934%	-0.209%

Source: Bloomberg

Agency Yields

Maturity	9/18/25	8/18/25	CHANGE
3 Month	3.780%	4.110%	-0.330%
6 Month	3.630%	3.930%	-0.300%
1-Year	3.490%	3.660%	-0.170%
2-Year	3.680%	3.824%	-0.144%
3-Year	3.630%	3.772%	-0.142%
5-Year	3.750%	3.892%	-0.142%

Source: Bloomberg

Commercial Paper Yields (A-1/P-1)

Maturity	9/18/25	8/18/25	CHANGE
1 Month	4.093%	4.320%	-0.227%
3 Month	4.089%	4.292%	-0.203%
6 Month	3.997%	4.215%	-0.218%
9 Month	3.936%	4.171%	-0.234%

Source: Bloomberg

Current Economic Releases

Data	Period	Value
GDP QoQ	Q2 '25	3.30%
U.S. Unemployment	Aug '25	4.30%
ISM Manufacturing	Aug '25	48.7
PPI YoY	Aug '25	2.60%
CPI YoY	Aug '25	2.90%
Fed Funds Target	Sep 19, 2025	4.00% - 4.25%

Source: Bloomberg

Source: Bloomberg. Data as of Sep 19, 2025. Data unaudited. Many factors affect performance including changes in market conditions and interest rates and in response to other economic, political, or financial developments. Investment involves risk including the possible loss of principal. No assurance can be given that the performance objectives of a given strategy will be achieved. VIP is not a bank. An investment in VIP is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although VIP seeks to preserve the value of your investment at \$1.00 per share, it cannot guarantee it will do so. All comments and discussions presented are purely based on opinion and assumptions, not fact. These assumptions may or may not be correct based on foreseen and unforeseen events. The information presented should not be used in making any investment decisions. This material is not a recommendation to buy, sell, implement, or change any securities or investment strategy, function, or process. Any financial and/or investment decision should be made only after considerable research, consideration, and involvement with an experienced professional engaged for the specific purpose. **Past performance is not an indication of future performance. Any financial and/or investment decision may incur losses.**

Public Trust Advisors, LLC, a registered investment advisor with the U.S. Securities and Exchange Commission, provides investment advisory services to the Fund. PMA Securities, LLC, an affiliate of Public Trust Advisors, is a brokerdealer and municipal advisor registered with the SEC and MSRB and is a member of FINRA and SIPC and provides marketing, and securities and other institutional brokerage services.